

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

December 16, 2003

4:30 PM

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Smith, Thibault, Lopez

Absent: Alderman Guinta

Messrs.: K. Clougherty, T. Arnold, S. Wickens, W. Sanders, T. Donovan

Chairman Shea addressed Item 3 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting the City's Monthly Financial Statements for the five months ended October 31, 2003.

Alderman Lopez moved to accept the financial statements. Alderman Smith duly seconded the motion.

Mr. Kevin Clougherty stated the budget is on track as you can see. Our revenues are, we think, performing as we forecast them for the period. One of the things that we are looking at is the City retirement lines. You will note that on the Board meeting tonight there is a letter from Frank Thomas saying that he has some questions about retirement. If you remember when the Board adopted the budget the departments have to absorb that retirement amount within our appropriation. That was part of the budget that was adopted so we expect that we are always going to have that 1% or 2% fund balance from departments. I can't tell you today it is going to be from Frank's department or whatever so what we recommend to the Board is wait until we get through December and get the six month numbers when we will have a much better handle on where people are. Right now if you look at the comparison year to year you will see that everybody is tracking fairly well. We don't think that is going to be an issue in terms of finding the dollars. It is just the specific allocations that we are going to have to make later in the year so we would advocate some patience on that. That should work itself through. If you take a look at the critical lines you will see that from this year over last year the chargeback numbers have been taking care of and are better performing. Auto registration continues to perform within the expectation.

So right now with the economy getting a little bit better we expect that our revenue picture should hold and that there should be no cause for concern at this point. With the new Board coming in we will do a review in January for them and get into more detail.

Chairman Shea stated I know that the Highway Department has come in with a problem. Will other departments come in as well?

Mr. Clougherty responded I think some of the departments just don't remember that when the Board adopted the budget they said the departments would have to absorb that number. In order to do the accounting right we have to charge what was paid for retirement to the department so it is showing up as a negative in their budget but that will be taken care of as a year end transfer as we had said was the approach that was adopted by the Board at that time. We just have to remind people that nobody is going under because of retirement. There will be dollars there. It is just a matter of waiting for another quarter to make those transfers.

Chairman Shea called for a vote. There being none opposed, the motion carried.

Chairman Shea addressed Item 4 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only.
- d) open invoice report all invoices due from the School Dept. only; and
- e) listing of invoices submitted to City Solicitor for legal determination.

Alderman Smith moved the item for discussion. Alderman Lopez duly seconded the motion.

Alderman Smith asked on Page 5, 4B there is a situation at 64 Merrimack Street. We have talked about it before. I took the liberty to check. There are 38 fire calls to this one address and the gentleman owes us almost \$6,000. Are you pursuing that?

Ms. Sharon Wickens answered as a matter of fact we are. Tom Arnold and I talked about it this morning and this person whose name is on this account I guess is no longer the trustee for this particular property. Maybe Tom should explain it a little bit more because we are actually pursuing him under a different name now.

Deputy Solicitor Arnold stated approximately two years ago we initiated a small claims action in court. We had some trouble serving the trustee. I found out much later that he was no longer the trustee of the very narrow trust. I have asked the district court to reissue the papers at this point bringing a second small claims action for the balance.

Alderman Smith asked is there anyone here from the Fire Department. The only reason I am asking that is we are putting the Fire Department at risk with their vehicles and going to a fire alarm they are going through the streets and 64 Merrimack Street is right in the inner City and a tough place to get to. I have seen this on the report for about a year and a half now since I have been here and I would like to see some movement on it.

Deputy Solicitor Arnold stated we are certainly attempting that.

Mr. Clougherty stated we are following up on the collection side on the Finance side. Do you want us to talk to the Fire Department to see if there is some different way to mechanically go about setting up the alarms so there wouldn't be any type of abuse or something like that procedurally or mechanically is there something they can do? Is that what you want?

Alderman Smith responded I don't know where the alarm is situated on that property but it should be where the vandals can't get at it but it is accessible to people in the house. I don't know if it is outside the house or what. I really don't know.

Mr. Clougherty asked so you would like Sharon to contact Fire and have them go over and take a look at physically how this thing is set-up to see if there is some way we can minimize the number of calls that are going to that location.

Alderman Smith answered yes.

Alderman Lopez asked on Page 7 what are we going to do or what is the situation on Riverfest. Have any conversations been had about this? Did you get a financial report from them or anything?

Mr. Clougherty answered we did receive some information from them awhile ago with respect to an inventory of equipment that was reviewed by Parks, I believe, to see if it had any value to offset against this. To be honest, I haven't followed up with them in awhile. Let me research that and get back to you at the next meeting. I know there was some activity on that.

Alderman Lopez asked does this have anything to do with the recent Riverfest or the new organization.

Mr. Clougherty answered no. This is the old one.

Alderman Lopez stated I think that she said she wasn't going to be responsible for that.

Mr. Clougherty responded right and at the time you will recall there was some question as to whether they would be able to go forward with these year's celebration if this wasn't resolved so the Board said we will just see if we can deal with this a different way. We got an inventory of all the wires and they had some sheds and things like that that we thought might have been of value and I have to talk to Ron about that and see if there is any benefit and I will get back to you at the next meeting.

Alderman Smith stated I would like to go through a few of them. On Page 7 right on the top I know that is bridge work because it was done over in my ward in early spring. I was wondering why we didn't receive the payment. It is overdue now 90 days and they do considerable work for the City of Manchester.

Ms. Wickens asked this is Page 7.

Alderman Smith answered yes.

Ms. Wickens asked FL Merrill.

Alderman Smith answered yes.

Ms. Wickens stated I know the Police Department doesn't normally bill...obviously they don't know what the extra detail is until after they have performed it and if somebody becomes a problem then they will collect this extra detail on a cash basis only. I don't know what the problem seems to be on this one. If we were not to collect this...this is the money that would come out of that fund that is set aside by the officers. They donate \$1 out of their paycheck for every hour that they work for something that is set aside so it doesn't actually come out of the City. If they don't collect, it comes from them. It is not a general fund...

Alderman Smith interjected I realize that but they are under contract and I know they are under contract with the Department of Highway because I was over there overseeing part of the job when they had all of the streets block off. They did the South Main Street Bridge and the Parker Bridge and if you notice there were three

straight days in March and I can't understand why the bill isn't paid. It is a substantial amount - \$1,638.

Ms. Wickens responded I can certainly call Police and follow-up on that one. That one has not come into our office to be sent to collection yet. Police kind of try to pursue it on their own for awhile before they send it. I will check on that one.

Alderman Smith stated I have one last one. In regards to the insurance companies, you know that is my pet peeve. It is too bad someone from the Police Department isn't here but I think they should institute at the Police Department pay before you get the accident or police report because I have totaled these up and there are 30+ different insurance agencies and some are \$1 or \$2 and some are more than that but it does come out to a substantial amount and I think they should institute if somebody wants an accident report or police record that they go to the Police Department and pay in advance and then they give them the record. I don't know if this will resolve the situation or not.

Ms. Wickens responded what they have instituted going forward is if these insurance agencies owe on a police report and they haven't paid it they don't get another one until they have paid it. Some of the ones that you see that are really old...since they have instituted this policy they just have never come back to get a report. The only one that is an exception is Metropolitan Reporting Bureau. I did talk to the girl over there and she said that they are trying to work out balancing Metropolitan's records and it has been going very slow. Otherwise, most of them are pretty current or they haven't ordered a report again. Take for instance, say Amica was to order a report. They owe reports from February. They wouldn't get a new report until they paid those February reports and that is what they would tell them. This was really out of control at one time. I think it is a lot better now.

Alderman Smith asked could you meet with the people at the Police Department and see if we can institute some way of payment in advance. If I am an insurance adjuster and I want an accident report I am going to pay the \$4 or \$5 but there are 32 different insurance firms here.

Ms. Wickens answered I certainly can meet with them.

Chairman Shea asked do the people who are in the accident...aren't they billed as well. Is there a mutual billing or do they just go to the...I know that one of my constituents was in an accident and they have to pay a certain amount don't they? Is it a reciprocal thing that they pay and then the insurance company...for the report doesn't anyone know? I am just wondering do the people who get in an accident and want an accident report to submit to their insurance company do they pay as well as the insurance company? How does that work?

Ms. Wickens answered I don't believe that the people pay us. The insurance companies are the ones who pay us. Now whether the insurance companies get reimbursed for them I am really not sure but I can check into that as well.

Chairman Shea stated it might be a little more complicated than what we are aware of. Maybe you could find that out.

Alderman Thibault stated I don't know who I should address this to – Kevin or maybe you Tom. Ever since I have been on this Committee the thing that bothers me and I believe it is the same thing that bothers Alderman Smith is that we have people come into this City and run a business and go out of business and they stick the City for X amount of dollars and then come back the next month and they start a new business under a new name. I am just wondering...the Building Department has to give that permit right? Doesn't the principal of whatever new organization is instituted the same name as the one that was there three or four months ago or if not why is it that in the application for the permit there couldn't be something put in there that says yes I was in business in Manchester before as let's say so and so and here I am now starting a new business as this. The same principal should be there and I would think like Alderman Smith is saying that we should be able to recoup some of these monies that these people have not paid or not give them the permit until they pay. There has to be a system, a way to work this out where we know who the principals of that business are. If you are a silent partner then you must sign that agreement too.

Ms. Wickens responded I did talk with the Building Department on some of these like in the case of Fire. 64 Merrimack Street is a perfect example. They have to get a certificate of compliance in order to run these apartments and why couldn't we not issue a certificate of compliance if they are not paying the fire bills and they said that these are misdemeanor ordinances and as long as the building is in compliance they have to issue the certificate under the ordinance. They can't say you are not getting the certificate unless you pay these bills because the ordinance says we have to issue the certificate.

Alderman Thibault asked even if they don't pay their bills.

Ms. Wickens answered that is right and that is because the ordinance is saying as long as the building is up to compliance.

Alderman Thibault stated well we should change this ordinance to some extent. That doesn't make sense. You can give me a bill for \$2,000 and I don't have to pay it because the City has an ordinance that is weak. We should change that ordinance I would think.

Deputy Solicitor Arnold stated we have to take into account the State laws. We could certainly look at that but I can't represent to you at this point that it wouldn't be a problem. There are State laws and building codes and that type of thing that I would have to review to see if they would allow that.

Alderman Thibault responded I would certainly like to find out about that Tom because I cannot imagine that even the State would say no you cannot collect money if somebody owes it to you. It doesn't make sense.

Mr. Clougherty replied it doesn't, Alderman and we have talked about this before. Really I think we have to go up and change the State law. As long as it is under the category of a misdemeanor you really can't do an awful lot. My recollection was that we needed to try and get either special legislation that would allow us to do something beyond a misdemeanor or if we would be able to do something...the Legislature is reluctant to categorize it as a felony obviously and there is nothing in between to give you some flexibility. I know the Municipal Association has raised a number of issues at the Legislature and they haven't found a vehicle in between that would allow us to go back and do that. We will revisit it again. I will ask the Municipal Association.

Alderman Thibault stated I would think the Legislature or somebody in the Senate might be able to get the ball rolling on that. I think it is a big thing like Alderman Smith said. I have said before we are losing an awful lot of money here that is due us.

Mr. Clougherty responded that is right and other towns are too. The question is how to change the State statute to get some type of a category I guess between...

Alderman Thibault interjected it is a tough policy.

Mr. Clougherty stated or a separate piece of legislation that addresses it.

Alderman Lopez asked when they pay us is there interest on that money or can we tag interest on the money that they owe us.

Ms. Wickens answered we are looking to tag interest on the monies they owe us, yes. We have to figure out...the older bills you obviously can't tag the interest on because they have to know it up front so it would have to be anything going forward and we are looking at tagging interest on that now.

Alderman Lopez asked what do you mean by looking.

Ms. Wickens answered we have to set it up in the system and we have to send letters out to warn everybody that this is what is going to be happening going forward and we are in the process of working on that.

Mr. Clougherty stated when you do the billing, Alderman, there has to be legal...that is what we are working with the Solicitor on to get that language so we can put that on the bills so that goes forward and then from that point forward all of those bills will be taken care of but you can't go back and reinstitute it for the previous ones.

Alderman Lopez replied I agree with that and that is what Traffic did when they raised their fees. Tom, when do you think we are going to get that? Are we holding something up here?

Deputy Solicitor Arnold stated I don't believe I am. I would certainly be willing to work with Finance. We looked at truth in lending some time ago.

Alderman Lopez stated well if you can help them out so we can get started on that.

Alderman Thibault stated Kevin you just touched on something that triggered something here. The Tax Collector of the City of Manchester for instance right on the bill it is marked that by a certain date they have to pay 12%. How did this get enacted and why can't we enact something of that nature onto these things?

Deputy Solicitor Arnold responded basically the State statutes provide what the interest rate is going to be.

Mr. Clougherty stated there is a special State law that says it is 12% or 14% and they act on it and every now and then they will change that interest rate but there is specific law.

Alderman Thibault asked why can't we institute that for people who owe us money. That is what I am saying. It should be the same thing for anybody that gets something from the City and owes the City money. By a certain date if they don't pay they should be able to be taxed on the interest.

Mr. Clougherty answered the last time we talked about this and we have talked about this for a long time with the Legislature trying to get this changed through the Municipal Association is with property taxes like with sewer fees or particular fees it is very easy to tack on interest for just that one specific item. When you start talking about a general application of interest to some broader areas it comes down to definitions and it is not as easy as it sounds and you start to have people say why is this category under that. That is the obstacle we have run into over the

last couple of times but it is still worth pursuing and maybe what we have to do is narrow down our field and say okay we will take these four very specific areas to start like maybe fire alarms or something like that and take that and then in the next Legislative session say we did these four and it worked out great and do it gradually.

Chairman Shea called for a vote on the motion to accept the report. There being none opposed, the motion carried.

TABLED ITEMS

5. Communication from Karen DeFrancis of the Manchester School District regarding a formal resolution for Expendable Trust Funds.

On motion of Alderman Smith, duly seconded by Alderman Thibault it was voted to remove this item from the table.

Chairman Shea stated I understand we have two distinguished people from the School District here William Sanders who is the fiscal agent and Tom Donovan, Chairman of the Finance Committee.

Mr. Clougherty stated Item 5 on the agenda is a letter from Karen. She had sent that letter over awhile ago as a response to some of the audit findings that had been raised by their auditor. From the Finance Department perspective we agree that there should be these reserves and a least two of the deficit periods that the School District experienced over the last 10 years we said this is one of the things we should be looking at. Since Karen sent over the letter we met with Bill and Tom and they have gone back and they will explain to you some of the homework they have done on how to get a more definitive action taken for the establishment of these funds. We are not looking for any action tonight. What we would like to do is substitute some better information to you so you can have a chance to look at it and ask some questions and certainly contact them over the next month and when the new Board comes in in January we can get together and review this again and hopefully have it adopted for inclusion in the upcoming budget. I will let Bill speak a little bit as to what he has planned here and walk you through the handout.

Mr. William Sanders stated I appreciate the opportunity to come and talk to you gentlemen this evening. I handed you some material tonight. The attachment to the letter is the material we reviewed with the Finance Committee. It does include the agenda item as well as some background material. As you can see in the material and maybe I will characterize what Karen had sent over back in April with what we have here. Previously we had requested two expendable trusts.

Basically a health maintenance trust and a special education trust. We are currently requesting approval for five expendable trusts. Previously if you look at what we requested we were requesting your approval to fund those two trusts back in April with percentages of our surpluses, which we may or may not realize in any fiscal year. In this revised proposal in addition to increasing the number of trusts and trying to be more specific as to what they would be used for, we are also requesting approval to include them as a specific line item in our budget so each year as we come to the Board of Mayor and Aldermen for review of our budget you will be able to see specifically how much money we would be proposing to put into the trust. We just felt that that was something we could plan better. It is more transparent and a lot more clear to you and to the School Board and to the community generally in terms of the money we propose to put in there and it removes we think and we have differences of opinion about that but any of you that it is hard to understand you can look at it sort of as a savings account or a trust fund and not someplace just to put surplus so to speak. All that said we are recommending the five trusts. The resolutions that passed the Finance Committee and the School Board are attached. We are requesting approval to implement them. In this fiscal year we would like to put a maximum of \$175,000 in the five trusts and you can see how we have laid that out – Health Maintenance \$50,000; Special Education \$50,000; Facilities Maintenance/Repair \$25,000; Capital Projects \$25,000 and Athletic Equipment \$25,000. As Kevin mentioned, this is consistent with the recommendation of our auditor, Stephen Plodzik. For the last two years he has recommended as part of his management letter and I do have copies of that and I will be glad to provide that to you as you review the request but he has recommended that we do this. It is a well accepted technique and financing option for School Districts throughout the State of New Hampshire. If you look at the filings with the Department of Education there are specific line items for trust funds. All of these trusts are included in that description in the DOE 25 so we are not asking for anything here that is unusual or odd in any way that I am aware. As you gentlemen are aware, it is the only opportunity or the only option that the School District really has to cushion unavoidable expenses that we may incur in the area of health insurance experience or special education. That entire area of special education is very expensive and folks can move in and out of our community at any time and put great strains on the budget of the School District. We recommend your approval of these trust funds and obviously we will be available to meet with you over the next month as you look at this and provide you any additional information that you might require.

Chairman Shea stated one of the questions that comes in to my mind is how do you set aside money in these trust funds and I am not opposed to it, don't get me wrong, but from where does the money come. In other words, does it come from a budget that an item isn't met or does it come from certain interest you receive?

How do you build up the amount of money that is going to be there? Could you help me with that for a moment please?

Mr. Sanders responded for FY04 we are not asking for an increase in our appropriation or anything like that. We are asking for a maximum of \$175,000 and we hope in the course of balancing FY04 that through cost containment initiatives or let's speculate for a moment that maybe our health insurance isn't quite as expensive as we budgeted for that we would be able to identify monies to...obviously we would have to recommend to the Finance Committee and the full School Board to transfer money out of one or two of those areas into these trust funds.

Chairman Shea asked if you were to establish trust funds and you were to have a surplus as it were on certain accounts that you would be able to place into these trust funds, what would happen to that money. Would it come back to the City as far as the general fund? I realize special education...I have been in education and I know how important this is and I am not criticizing I am just for the sake of people understanding what is happening here I would like that explanation.

Mr. Sanders responded as with all of the line items in our budget, as we go through the course of the year we over spend fuel in one year and need to take money for textbooks in the next this line item would be an area where we would be making a decision as to whether one could be put to a full budgeted amount this year and if we have a particularly good year like last year for example there would be an opportunity with the approval of the Finance Committee and the full School Board to maybe put some additional money in. For your information, Mr. Plodzik in last year's management letter recommended that we should have \$500,000 in a health maintenance fund and \$500,000 in a special education fund so we have a ways to go to build that up.

School Committee Member Donovan stated that money that got allocated would be placed in a trust fund. There is a State statute that specifically deals with expendable trusts and our proposal would be that it would go to the Trustee of Trust Funds here in the City so it would become part of the assets managed by that group.

Alderman Lopez asked when you say and I imagine you are going to work on this a little bit to explain it but when you say the trust fund and you say we have a Trust Fund Committee I am concerned whether the majority vote of the School Committee versus 2/3 of the School Committee or the Finance Committee of the School Committee recommends that we take money out of the trust fund. How do you envision that?

Mr. Sanders replied we have had some discussions about what the appropriate level of the majority would be to make a withdrawal. Certainly it would be a vote of the full Board of School Committee and not any sub-Committees of the Board and there has been discussion as to whether that should be a majority or maybe a 2/3 like 10 of the 15 and I think a vote of 10 of the 15 would be appropriate in my mind. I don't think we are going to be taking money out of here for...there will be clear priorities and clear expenses of the School District that we would be recommending funding for.

Alderman Lopez asked now you are talking about putting money from the FY04 budget in at the end of FY04 correct.

Mr. Sanders answered correct. Before June 30.

Alderman Lopez asked can you clarify for me...when you say line items would you anticipate a line item when you come in for a budget that you would include \$175,000 be put in there or would that be on the condition that you had a surplus at the end of the year.

Mr. Sanders answered we would prefer to have a line item in our budget that says for discussion purposes \$175,000 as part of our financial plan, not subject to a surplus. Obviously we would have to as we come through the year if there are other expenses...like every other line item in our budget this is somewhat discretionary money in some respects and if we couldn't afford the full \$175,000 we would propose to the Finance Committee that we put in less.

Alderman Lopez responded I like it the way we do it over here. I would have to be convinced that that is the best way to go and I would seek advice from the Finance Officer and others but I mention that because I am wondering if the thinking process is not taken out of the process if you budget it and as you go along and make your line items in the back of your mind or in the back of other people's minds you have the money in there so you are not going to budget it and if a situation comes up that should go to the Trustees all of the sudden you come up with a particular item. For example, I noticed that athletic equipment is one of the trust funds. So we underfund athletics and then the outcry becomes we need to spend \$20,000 or something for athletics and so a vote is taken and you come in to the Trustees for that in comparison to special education and health insurance and stuff like that. I would be very, very cautious if the thinking process is taken out of the equation. That is the only comment I have. I think it is better...I mean if I have learned anything from Kevin even though I might disagree with him discipline in the budget aspect if very good. If we have to use the thinking process it makes us think harder in how we are going to do it. To try to get 10 votes in

order to do something is very difficult and it should be difficult if we are going to deal with the trust fund and that has been put into my mind for a number of years.

Alderman Thibault stated if I understand what you are saying, you would like to put a new line item in your budget for \$175,000. Is that what I am hearing?

Mr. Sanders responded that would be the effect in FY04.

Alderman Thibault asked are we saying that in your total school budget you are going to put a new line item for \$175,000.

Mr. Sanders answered yes.

Alderman Thibault asked who has control over that \$175,000. Does our Finance Department have control over that or do you people have control? If that is the case, I think that like Alderman Lopez is saying we have lost the ability to say to you people in the School Department this is how much money you get this year because you have \$175,000 to play with any way you like. That is the way I see it. My other question would be who could use it and if somebody does use it is it looked over by our Finance Department or by your Finance Department? I would like to believe that our Finance Department, the City's Finance Department has a guarantee as to where some of this money is going. I would think that if you want to spend \$5 of it you would have to come back to this Board to get this Board's approval to spend it before you spend it. That is the way I feel about it. If there is anybody that wants to say anything on that, please do. I think that we are losing, we are losing in my opinion the ability to control \$175,000.

School Committee Member Donovan responded let me answer your comment in a somewhat round about way. The Board of Mayor and Aldermen give us a bottom line budget and we show you what the line items are but as you know depending on what happens we may need to make line item transfers and it has to go before the Board of School Committee. Our proposal is to set this up in a sense as one of our line items because we have been told by our auditor twice in the management letter that we need to have a rainy day fund on our own. We will pay for it on our own from the appropriation you give us. We are going to set it up out of the appropriation that you give us and we feel it is important enough and our auditor feels it is important enough that we want to do that. The way it works, however, under the Statute is once the Board of Mayor and Aldermen create the mechanism and after we set aside the money in a trust then the money is for the Board of School Committee to use upon the appropriate vote and the establishment of the need for whether it is health or special education. So yes there is a loss of control in that sense but I would like to look at it as it is an increase in responsibility on our part that we are creating our own savings account for certain needs so that we

don't have to come back to this Board if we can't afford to do something so frankly we can be more self-reliant and more responsible for our fate and frankly more fiscally responsible. We see this as a part of getting our fiscal house in order.

Alderman Smith asked Kevin is this going to be a one time thing or on an annual basis.

Mr. Clougherty answered I think the whole idea here, Alderman, is to try to get them on relatively the same footing for the self-insurance areas that we are in the City. It is going to be gradual over time so instead of coming in and saying give us the first year \$500,000, which is what the auditor is recommending they are trying to grow up the fund gradually. If you accept what they are trying to do there are a couple of things that they could consider on their side. For example, we have our policies, our resolution that says we won't spend money out of those line items and if there are balances it says they will roll into the fund balance and we have a policy for that. So if there was a set-up of these trust funds they could adopt that policy. The other thing, too, is once the trust funds are up at least initially as you are trying to grow this fund if, for example, in the second year or the first year they use the money for something else instead of depositing it in the trust fund when they come back and ask for it in the next budget year I am sure the Aldermen are going to be suspicious of that so there is an incentive I think here to grow this fund at least in the initial years to get it to a point where it is a useful reserve. If it is going to be used as just a one-time end around the bottom line budget to have some extra flexibility, it is just not going to work. I can tell you that in sitting as Chairman of the Bond Bank for the State we see a lot of the school districts come in asking for bonds and this is an accepted approach and over time the towns have grown in their discipline to have those funds increased. It is to everybody's benefit, our side as well, if they can accomplish this goal. You may recall that this was also a recommendation of the auditors on the City side when we oversaw the School District. I am not opposed to what they are trying to do. I think it is going to take some discipline on the part of their Board to make sure that it works but there is a deterrent to using the funds because they are going to have to come before this group every year and ask for these dollars at least initially to make it work and I think that is a big incentive for the thing to be successful. I think it is worth consideration.

Alderman Smith asked, Mr. Donovan, just to sum this up apparently the School Board alone is going to decide where the funds are expended. In other words, if you have \$25,000 for athletics you can't take money from athletics to put it into special education. It has to be used for that purpose is that correct?

School Committee Donovan answered correct. Unlike on your side where you can have a general rainy day fund, ours have to be for the specific purposes for which they are set up.

Alderman Smith stated I know the School Board alone will decide what is going on. My recommendation is that if this does pass the Board of Mayor and Aldermen I suggest that you have at least 2/3. I would go with 10 votes to make sure you have a hold on it the first year or so because you will be coming back to us in future years for additional revenue.

Alderman Lopez stated I have one other question. In 2004 the \$175,000 are you or have you at this point...is that going to be just for 2004. I am looking for FY05 and FY06 as to whether you would increase that and increase your budget line item. Why didn't you go for a percentage of surplus? Can I ask you that?

Mr. Sanders responded because it is difficult to plan on a surplus number and difficult to know at the beginning of the year...we know we have some significant risks and issues that we have to deal with over time and this process, the line item in the budget and setting forth an amount seemed to weight almost due to the debt service on this risk and on these contingency items and build a fund where some years we will have surplus. I hope every year we have surplus but it makes it harder to plan and to manage and to feel like you are prudently putting the money where you have a need. This represents a real need to the District. We wanted to make it part of our budget process so that we deal with it directly just like we deal with debt service and all of the other issues of running the School District.

Alderman Lopez asked do you anticipate seeing it being more than \$175,000 as the years go by.

Mr. Sanders answered yes. I would think that medical inflation just to pick some examples of what is in here where medical costs may or may not go that \$500,000 figure was a year ago and I am not saying we are wedded to that but that is something that is out there. Certainly all of the mandates of special education are not going to go down I wouldn't expect, over time and will become increasingly costly and more expensive to fund the special education mandates that we receive from the Federal government so I would expect that they would go up but I wouldn't expect that we would be doubling or anything like that. I think they will be prudent increases and would be explainable increases. Why did you go to \$75,000 this year in special education or \$50,000 or whatever?

Alderman Lopez asked so each year you will come in with a line item as to what you want to put into the Trust Fund.

Mr. Sanders answered that is correct.

Mr. Clougherty stated I think initially the idea is to make sure that there is going to be a regular flow of funds to get to a certain level. As you know on our side we have it based on an actuarial study. I expect they will probably do the same thing on their side and once it gets to the level recommended by the actuary they probably aren't going to come in and say I need to have the additional appropriation. At that point they won't come in unless there is need to replenish it but that first few years to build it up...now they may get there faster. It may be that they have a bigger fund balance than they expected. They may allocate more of that and they may get to those actuarial levels sooner rather than later in which case the amount that they will request will be less. At least in the first few years we should operate on the assumption that there will be regular requests.

Alderman Lopez asked where do we go from here.

Chairman Shea responded this is just for informational purposes.

Alderman Lopez moved to table. Alderman Smith duly seconded the motion. Chairman Shea called for a vote. There being none opposed, the motion carried.

6. Communication from Guy Beloin, Financial Analyst II, submitting the City's unaudited overtime trend reports for the general fund's three largest departments.
(Tabled 11/18/2003 pending further receipt of information from other major departments.)

This item remained on the table.

There being no further business, on motion of Alderman Thibault, duly seconded by Alderman Smith it was voted to adjourn.

A True Record. Attest.

Clerk of Committee